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An inside view of the financial situation

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AN INSIDE VIEW

OF THE

FINANCIAL SITUATION.

An address delivered at the Banker's Convention in New Orleans, November 12th, 1891, by GEORGE S. COE, President of the American Exchange National Bank, New York.

Arthur & Bonnell, Printers, 55 Cedar St., N. Y.

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There was never a time in Commercial history when the foundations upon which monetary operations are conducted, were so boldly called in question as now, and when their nature and character were so confidently challenged or denied.

This would naturally be the case in a country like ours, but recently emerged from a life struggle of unparalleled magnitude, and where financial expedients begotten of war, continue to be used for peaceful service.

But it is equally true in the great world of commerce, where the money measures unalterably established for ages past, have been suddenly disturbed or withdrawn, and that at the very moment when science and mechanical invention are bringing the remoter parts of the earth into intimate and active relations with each other, expanding trade, and therefore demanding the entire volume of existing money.

Is there a higher law pervading business affairs as truly as there is one regulating the stars? or do men work at haphazard, each one following his own caprice with no comprehensive system embracing them all?

With this question in mind, let me ask your indulgence, while I briefly present some plain and practical aspects of the financial situation from an interior point of view, and from a somewhat protracted experience.

Commerce simply an exchange of labor.

All men are under a vital obligation to their Creator, the world and themselves, diligently to labor in some useful way, as best they can, and to interchange with others the fruits of their labor for mutual benefit. Thus only can they fulfill the law of their own nature and promote the general good.

The practical test of value in the productions of any one, consists in the fact that they are readily exchangeable with the productions of others. As the incessant demands of men for human comforts will always exceed what is attainable by one's own individual labor, so mutual dependence is instinc-

tively enforced and relieved by mutual supply. This is as naturally followed by social intercourse and civil progress, from the narrow limits of immediate neighborhood, outward, to the endless requirements of village, city and international trade and commerce the world around. Thus the largest development of humanity is promoted and secured.

From one end to the other of this endless social chain, the giving of one production to obtain another, is the primary object in view. Along the whole line of active workers, human vitality is expended with varying results, and the practical outcome must, of necessity, be weighed or measured off, one thing against another, by some familiar standard, as exact and as universal as possible. Life against life; value received for value given.

All trade must have a measure of value.

Sound traffic is thus carried on between independent men as social beings. The integrity of every exchange between them requires that reference be had to one and the same recognized practical measure of value. Any substitute, however introduced, that essentially changes this measure, or evades the just equivalent, is a mischievous evasion of Supreme law, and interrupts the harmonious operation of commercial intercourse.

From the very first step in social life, and before the creation of national organizations, some such undeviating measure was manifestly indispensable. It must be a material substance, itself one of the things attainable by the expenditure of human vitality, and by such an amount of that expenditure as would produce nearly an average result from age to age. The natural increase and supply of this medium must also keep pace with the growing population of the world. It must be indistructible, divisible and sub-divisible, and, at the same time, something instinctively valued for its own sake, by possessing inherent attractions for men, and be therefore exchangeable as a commodity, besides being simply a measure of all other articles of human desire. Only by such a universal measure could the result of labor be safely held in hand, or be transferred from place to place, as personal convenience or commercial intercourse may require.

Without such a medium it would only be possible to ex-

change one thing for another, when of equal worth, or in disregard of differences of value between them. In fact, little or no just exchange would be possible. But when two things produced by labor are everywhere regarded as equal to a third thing, or to a given portion thereof, they are consequently equal to each other in the same ratio. And when this third thing has the same universal appreciation, it commands equal commercial power the world around.

Says Carlyle: "Whoso has sixpence, is sovereign, to the length of a sixpence, over all men; commands cooks to feed him, philosophers to teach him, kings to mount guard over him; to the length of a sixpence."

Gold and Silver always the measure.

As the two precious metals have thus been money or the measure of value since the dawn of history, when as yet peoples and races were separated by impracticable barriers from international agreements, and have accompanied civil life at every step of its progress, it is certain that their adoption, however modified by temporary conditions, could never have been established by statute law, but that they came into use from a human instinct and necessity, tantamount to Divine ordination; or, what is the same thing, that they originated in the natural adaptation of these substances to the necessity of the case, and to the object demanded.

Money is a material, mineral substance. It comes only as a result and reward of personal labor; and as such, is one of the gifts of God to men.

Although money as thus described is the measure and numerator of value in every other form of property passing between men, it is itself actually present in but a small proportion of the interchanges that constitute the great movements of trade and commerce; and it becomes less and less relatively used, as civilization advances. Here, as in many natural and familiar objects, "Things are not what they seem."

Larger proportion of exchanges done by paper instruments, not money.

What is called buying and selling, is to the greatest extent, not the purchase of things for actual money, but simply an exchange or barter, of the money's worth of one thing for the money's worth of another thing, by means of paper instruments, called *currency*, by which their related commodities are conveyed through the currents of trade, from owner to

owner. In whatever variety of method such instruments are used, they do not, like money itself, possess inherent value of their own; but they derive their entire power and significance from the property they convey. In every transaction to which such papers refer, they declare in effect, that they are not the money, but only the shadow of it, and that the substantial value each piece represents, is somewhere else, concurrently moving with it in the process of exchange, or going forward to market. For example, the interchange of goods and merchandise, passing between people in the United States, amounts to more than three hundred millions per day. Only about one-twentieth part of this is done by the presence or manipulation of money. Nineteen-twentieths consist of an exchange or barter of that amount of one kind of property for the same amount of another kind, in the endless variety of things put in motion by the necessities of social life, and transferred by instruments in writing or printing, upon valueless pieces of paper, giving evidence of each transaction, in terms of money. And the same is measurably true in the commerce of the whole world. This is all that men can do in the very nature of things. Stripped of the mystery and ambiguity that hang around them, the paper instruments by which all this is effected are currency, because they make industrial products current in the channels of commerce. In whatever form used, they are nothing more than written orders from one owner of a commodity to deliver the same to another owner.

A bill of exchange is the typical currency of the world. It is an instrument that exchanges moving property. In substance and expression it tells upon its face what commercial experience has proved to be necessary in all ages. It does not say that money itself, but something of the money value named in it, is passing from man to man by its instrumentality. In every movement from its origin to its end, it carries some vital thing, goods, wares or merchandise. If not, it is false to its name and nature, and has left a vacuum to be filled, and done that amount of damage to commerce, yet to be repaired. Notes or Bills of Exchange issued upon credit alone, are empty vehicles commercial kites, representatives without constituents. They

bear no labor done, and when admitted in the place of money they release men from the exactions of toil and from the necessity of economy. They undermine the sterner virtues by which character is preserved and prosperity promoted. A true bill of exchange has one prescribed and limited service to perform, and it dies when that duty is done. This truth the Bank of England recognizes by cancelling its notes as they return for payment, and emitting new ones for every fresh transaction.

Different kinds of paper currency.

Paper documents thus conveying property, have various names and applications. None of them are money, any more than a deed of a house is the house itself; yet, they all perform the same substantial office, viz: that of promoting a convenient interchange of various products of industry, through the channels of trade and commerce. Bills of Exchange, Bills of Lading, Bank Checks, Bank Notes or Certificates of Deposit, and even telegraphic transfers, all are similarly used in conveying existing things, from owner to owner. And if legitimately issued, the relative property can be found by search, just as truly as real estate can be found through its deeds of conveyance, to be actually existing, each article responsive to its respective piece of paper record. Otherwise the document so used is commercially a false one, and by whatsoever authority emitted, it can only enter into the commercial exchanges to vitiate to that extent the entire volume. Loaded ships passing each other upon the ocean, with cargoes of reciprocal values, railroad cars filled with merchandise, threading their way to and fro', through the land, vehicles of every kind, crowding along the streets of cities, towns and villages, toilers on foot or in fields, manufactories and shops; all who labor in any useful way, expend and renew their native vitality, by exchanging its results one with another, upon conditions measured and expressed upon such paper documents in terms of money; while the money itself constitutes less than a tenth part of the aggregate sum of commodities or service, so passing between them. The world has thus ever been alive with these movements of industry and toil. They belong to men as personal and responsible beings, independently of all governments. As

Government not being a producer, cannot issue sound currency.

government has no attribute or function whatever for productive labor, but is dependent for its very existence, upon the labor of its people, neither can it legitimately furnish instruments that only rightly follow *after* production. Governments can directly draw from the real producers by taxation, such portion of the fruits of their labor as can be spared for the national admistration and protection; but any attempt to forcibly impose its own paper instruments upon commerce in advance of industrial productions of the country or without their accompanying supports, not only transcends all its legitimate powers, and impairs the equitable relations of citizens with each other, but can only end in destroying the sources of its own vitality. There is no place in sound financial economy where a government, any more than a private citizen, can, with impunity, introduce into commerce, a single item of paper currency, not supported by its equivalent value of existing commodities, passing with and pledged to redeem it. This would of course exclude the emission of circulating notes based upon government debts, which, when made into currency, is only another device for presently expending the amount, promised to be earned in the future.

Such currency represents nothing existing, but only an assurance of what may be hereafter. Why may not Government as well issue debased coin, bearing its official signet, with an additional stamp, that "this coin will be redeemed by a good one; so soon as convenient to Government, whose policy it is to maintain its parity with gold." Would this be telling the truth too plainly?

How industrial products are naturally exchanged

In order to present the subject by a familiar illustration, which in our own country is a common experience, let us suppose that this community were a new one, composed of a limited number of energetic families, just starting upon social life, with little or nothing in possession beyond their own native powers. How would they proceed to establish themselves? At first they would barter with each other things they already possessed. After the first harvest they must necessarily fall into diverse employments, best suited to their respective aptitudes and tastes, and most promotive of the general prosperity. The results of their various labors they would

exchange with one another, as mutually convenient, but in order to do this the more effectively, they would as naturally select one of their own number as store-keeper or custodian of the products of all, so that he could receive and distribute them for the whole community. This he would do by giving each depositor a credit or record upon his books, of the money value of each article placed in his charge, and permitting that depositor by written orders to draw out at his pleasure, any other article of the same value, that the store contained. This would manifestly be the most economical medium for interchanging between the members of that community whatsoever things they unitedly produced, yet, with little or no manipulation of the money itself. This custodian would thus at once combine in his own person, the Merchant, the Banker and the Exchange dealer of the whole place; and so long as the aggregate amount credited upon his books, did not exceed the money value of goods in the store, both himself and the community would be in perfectly solvent condition. Let us suppose further, that this custodian instead of entering upon his books the names of particular depositors, were to record simply the value of goods as they came in, and should issue when preferred, separate pieces of paper to the exact amount, in denominations of one dollar or more, each one certifying that the bearer had made the requisite deposit and was therefore entitled to draw out its expressed value in goods upon the surrender of each note. Would not such papers have the same relative value and significance as a credit upon the books? and also have the further utility of passing from hand to hand between members of the community for service or things exchanged between them, and all with equal assurance of being convertible by any holder, into goods of their money's worth? These notes would be a local redeemable currency. They would not be money itself, but simply subsidiary bills of exchange, and no less so because, being of local use, they served to divide the store property into minuter portions for easier distribution. In every essential character, these deposit accounts and the circulating notes would be identical in purpose and utility. They would be equally solvent just so far as they represented

existing products of that community's industry. And so any new society may extend its limits and advance in solid prosperity year by year, by such instruments of exchange, with but limited amount of money in actual possession, but in touch with it as a measure of value in all its trade. And when its members began to interchange productions with those of the outside world, what is true in a narrower degree, would be equally true as its borders and business expanded, the custodians of its property multiplied, and when it had developed into a city, state or nation. And is not this substantially all that any well ordered village, state or nation, or even the Commercial World itself, can ever do; in its natural and healthy progress?

How bad currency comes in.

Now, suppose that the governing powers of this young community, finding its circulating notes so easily emitted, should permit the custodian of its property to issue another, and an equal amount of notes, without receiving additional value of property in store; would the aggregate volume of notes outstanding be then worth any more than the goods actually existing? And, if in such case, the governing power by mandate of law, should enforce its notes upon the public as a measure of value, would they not at once supplant the money measure, while both the currency, and the nominal deposits, consequently deteriorated one-half in purchasing power? How could the volume be expanded, without in the same measure diminishing its intrinsic strength and value?

Manifestly, nothing whatsoever would be, or could be, so created, but every additional note emitted, would operate to that extent as a violent confiscation of the property of members receiving it as money, and would impair the rights and destroy the just relations of those citizens with each other. This is not less an obviously mathematical truth, than it is the practical experience of men in all ages of the world. The experiment has been tried in almost every nation under Heaven, and always with the same fatal result.

What is said of the method of exchanging the products of this initial society, is also true of the exchanges of larger commercial cities. It is the history of human society in every age. Instead of one custodian, Banks and Bankers, as popu-

How Banks and Bankers perform useful service in exchanging products.

lation increases, naturally take the place, and are entrusted with the care and distribution of their respective portions of the fruits of a larger industry. They perform substantially the same service for the public as the country custodian, only differing in method and in degree. It is true that they do not always or usuall· hold physical and visible possession of the countless things that form the real basis of their actual transactions, but they do equally hold them at their command and in *moral* custody, and they may enter into actual possession by force of the obligations to which the things themselves are legally bound. The village, just as the city dealer, may draw from his depository the value of one article after he has placed there another, and the methods used in doing it are in substance the same. What is the capital of a community or a nation, but the aggregate value of its accumulated industry, in the various forms it naturally assumes? What is a Bank or Banker, but a depository, not so much of money, as of the money's worth of the variety of articles that its dealers are producing and interchanging through them, hour by hour? Their deposits, what are they? Not money, but so much money's worth of existing commodities continually changing and moving about in kaleidoscopic variety from one form, from one person, and from one Bank to another? Every deposit bringing to the Bank some new commodity, and every check releasing some one previously held? Their capital—what is it but a vested interest in the same convertible mass of stored industry? Their circulating notes—what are they, when properly issued, but more minute representations of the same substantial and exchangeable results of human service? And their Bills Receivable, they are nothing more nor less than chattel mortgages upon goods held in custody for them by their customers, who have promised in writing to surrender so much of their value, as they have of value previously received? Each one and all of these functions of a Bank are simply commercial expedients to facilitate the division and distribution of the miscellaneous productions of human labor. And the daily exchanges of checks between Banks at the Clearing House? What are they but evidences of the industrial movements of the whole City the day before? Each

Their methods of service.

check pointing to a box, bale or bundle containing the commodity that gave it birth, and attesting the fact that by it some real thing of the money value named, has passed from owner to owner, and from Bank to Bank, the validity of which is proved by the payment in actual money, of balances resulting from the exchange of such checks, one against another. All these are but various ways of exchanging existing things, and are valid and admissible only to the degree that they are resolvable into other things of daily necessity.

We are accustomed to the thought that checks and deposits in passing through their several Banks and Clearing House for distribution, in some way change their shape and become converted into money or other currency. But they do not. On the contrary, they are themselves *the* currency, and they continue from beginning to end, the same unchanged instruments of transfer and of account between the people concerned; just as much so as if the property they all represent were visibly present and passing before the eyes of Bank officers and clerks, that they may take special account of its value for their respective institutions.

Banks and Bankers deal in property, not alone in money.

The whole movement is one of property, not of money. In fact the safest bank officers are those who keep the papers and the property most persistently together, and who hold them in the closest relation to each other.

Now, in all this natural and necessary pulsation of daily life, the chosen method that personal labor and industry intuitively pursues for itself, how can Government legitimately be called in, or anywhere interpose its peculiar functions excepting to preserve order among the workers, without impairing the universal and Divine order of things, and without trespassing upon the private and personal rights and privileges of citizens?

International trade of the world is carried on from age to age in substantially the manner here described, by Bills of Lading and of Exchange, conveying from port to port, and from citizen to citizen, the productions of the industry of their respective countries. These are divided and sub-divided through Banks and Bankers in New York, London or elsewhere, as the interest and convenience of commerce require,

and the desired result is reached by exactly the same natural methods of distribution. Commerce is but an exchange of material things. The instruments it uses are born in the things to be moved, and cannot be dissevered without impairing the utility of the entire system. "Their lines have gone out through all the earth, and their words to the ends of the world."

No Government device or debt currency has ever been or can ever be, without intrusion, admitted into the international exchanges, and no want of it is ever felt. On the contrary, its introduction would be instinctively repelled by merchants and other Governments the world over, as an invasion of natural rights, utterly discordant with legitimate trade, and adverse to every commercial interest. What is confessedly false in the commerce of the world at large, must be equally so when applied to any one of its nationalities or to the individuals composing it. Human law cannot change the essential nature of things.

By the progress of civilization and improvement in trade and intercourse, the whole world is being practically merged into one community, as well of material as of moral interest. Current events are every day illustrating the mutual dependence of men and nations upon each other, and the superior value and efficiency of personal liberty in the conduct of commercial affairs. What Christianity teaches of the unity and fraternity of the human race, financial economy continually confirms by demanding more and more, that the reciprocal rights and productions of labor shall be governed by the unrestricted methods of exchange that experience has approved, and be measured by one and the same universal standard of value.

As all valid currency is thus invariably found directly springing out of useful labor, so the want of it can only be supplied by more rigid economy in expenditures and by renewed effort in production. Thus only will it be produced in manner and measure to meet every social and commercial requirement, from the smallest trade to the largest commerce. It is not National currency that is wanted, but things to be exchanged. These can be produced only by human effort. Currency is a consequence, and will come of itself when the

object of it exists. Any extrinsic emission which multiplies baseless instruments of expenditure can only serve to promote extravagance, by deceiving the public as to its real ability to expend, and thereby to repress all effective effort at restoration.

Two important lessons may here be learned :

The essential quality of sound currency.

1st. That no just estimate of the amount of currency required by a community can ever be made, in advance of the industrial work done; because the currency will naturally follow the product and provide means for its own distribution and conveyance, if Government do not interpose its overwhelming power by injecting into it an abnormal and baseless issue, or by prohibiting the use of such instruments of transfer as commerce naturally creates for itself. That any calculation predicated upon a *per capita* ratio of currency to population, is essentially and manifestly absurd, because, not the wishes, the poverty, nor the number of people, but their productive industry alone, can determine what instruments of exchange are required, and who has the right to issue them.

2nd. That currency derived from natural causes will come and go, and live and die, in exact coincidence with the volume of useful things to be moved by it, and will therefore, possess the quality of elasticity which attaches only to the genuine article, and which can never characterize a superimposed emission. This is the striking defect of our existing currency. It comes from an extrinsic source, not in response to commercial demand, and will not retire when its special service is performed. Immediately upon its emission, it becomes inseparably absorbed in the previously existing volume and there remains, irrespective of times and seasons, and of commercial necessity. From first to last it is a debt, without corresponding assets in store waiting to redeem it; an outside and disturbing element, without homogeneous relations to the trade it is meant to promote. Its constant tendency is to create and to maintain fictitious prices, and thus to counteract the harmonious precision that the movements of commerce naturally make for themselves. A credit currency can never give substantial relief. It will always be insufficient to meet the demand, because it inflates in expectation of further issues, and when once entered upon, the solid

commercial principle is thereby avowedly relinquished and the stability of prices is consequently destroyed.

For illustration, follow for a moment the movement of a single staple crop. How could that be best carried from harvest to market? Those who take it from the ground, have in hand the vital thing that the world requires. At the very start, the producers desire to subdivide it in such manner, that it will itself furnish means to pay for the labor and expenses of gathering the harvest. This they should be able to do by pledging the crop to responsible persons competent to accept it, who could immediately issue against it, at the place of departure, an approximate amount of circulating notes, evidences of possession, with means for redemption. These would be local currency, receivable throughout that community, at their money's worth, for such other things as the holders and laborers found necessary to purchase. The crop would then be transported toward the sea, either for consumption or for re-shipment, by means of larger bills of exchange, and the proceeds of it carried back, either in money or in other commodities, to the place of departure. These would there be distributed through the ordinary avenues of local trade, and be paid for in the currency first issued, which meanwhile would have served its purpose of expenditures in the place, and been returned to its issuers for payment.

So the circle of exchanges would have been completed, the crop have done its good work in the world, and both the larger and the smaller instruments by which it was accomplished, all retired from service. This service so essential and so benificent, has in the past been thus naturally done, year after year. It was freely relinquished when demanded by the supposed necessities for civil war, because the life of the Government itself was at stake, and because commercial laws were necessarily subservient to the preservation of the nation. In the agony of the civil conflict and when legal tender notes had been issued to the utmost practicable extent, Secretary Chase conceived the idea of replenishing the exhausted Treasury by further sales of Government bonds, giving Banks specially organized under a law "*to provide a National currency*" the *exclusive* privilege of issu-

Government currency only a war expedient.

ing currency notes based upon the bonds as security at 90 per cent., and prohibiting every form of circulating notes in the country, by a penalty of *ten per cent.* upon any note, otherwise emitted. But the impression now unconsciously prevails that what was then precipitately done as a temporary expedient, was the result of deliberate and unconstrained legislation, and that therefore, all local currency has been finally and forever superseded. This conclusion cannot be reached without ignoring both our own experience and the experience of men throughout the civilized world; nor without inestimable loss to commerce and to the nation. With equal reason may bills of exchange of larger denominations, by which whole crops are carried to market, be prohibited, as the smaller and no less useful ones, by which they are first gathered in, sub-divided, and started upon their course. By this prohibition of currency the annual commercial movement is obstructed at the vital point of departure. This fact is emphatically expressed by the cry periodically and vainly made for "currency, to move the crop," when the crop contains the inherent power to move itself; a power which cannot be used because this legal restriction continues in force.

Why Government currency cannot meet the commercial demand.

So that as often as the harvest season comes around, it is found that Government currency, is so fully absorbed in the circulating medium, that it cannot be released and gathered up to meet this indispensable requirement, without producing such financial embarrassment as retards the very movements of the crops themselves. And so the conflict between universal commerce and local currency annually finds repeated demonstration and expression in our own experience and observation, from the want of elasticity and flexibility in the circulating medium. To some extent, this want has been supplied by the remarkable increase of small National Banks organized throughout the country, by which local exchanges of commodities are pivoted from one dealer to another, as in the country store, by means of deposits and checks, but they do not fully meet the commercial requirement, and the unceasing demand for currency remains to be provided. Besides all this, the "National Currency Act," the name under which United States Government Banks were

organized, and which expressed the original object of their creation, has practically passed away by the redemption of the public debt. Something must be done to meet this imperative necessity and earnest demand.

In earlier days when the distant portions of our vast area of country were imperfectly connected, currency instruments were emitted in remote and inaccessible places on purpose to avoid redemption. They deservedly received the contemptuous names that marked the public opinion of them; names yet remembered only to be indiscriminately applied to every form of corporate currency. But they were relatively few in number and under changed conditions of travel and intercourse, may now be easily prevented. In the older States, most of the banking systems existing before the war were worthy of the highest praise. Notes of Banks in the Union States were redeemed without loss. Their methods of business were not only substantially sound, but in its supreme moment the Government itself found in them its refuge and support, and almost its salvation. Now that commerce and trade have so long since resumed their healthful operations, and the necessity for a flexible commercial currency is everywhere recognized, is it not time that the Government should relinquish a system born of war, be relieved from the exclusive domination of financial affairs, for which it has neither aptitude nor attribute, and that a commercial policy should be re-established such as experience of older nations has approved, and such as our own people imperatively demand?

Why Bank currency is superior to Government Notes.

It will certainly be found easier to legally restrict commercial instruments within the bounds of their constituent property when omitted by corporations, under the supervision of jealous authority, than it is to restrain excessive issues by a popular Government, when it has once assumed as its inherent privilege and prerogative, the power to create currency at its own convenience, independent of all natural relations to the commercial basis and demand. If it endangers the public safety and is therefore criminal for any one man to issue a currency obligation without an equivalent asset, is it essentially less so when organized numbers clothed with delegated authority do it without reserve?

In every form of negotiable obligations, their prompt redemption is the vital object to be secured. This can be best done by authority given to corporations under National authority, to issue registered circulating notes based upon commercial assets, with limitations of amount proportioned to capital engaged. With these requirements and a penalty of an extra rate of interest upon notes while in default, an enforced redemption, and making the notes a preferred debt, with mutual liability of all who participate throughout the entire system, and a safety fund in reserve; a practical and substantial currency could be established. By these restrictions every participating member would become a vigilant guardian over the whole body, the interests of commerce would be promoted, and perfect safety assured.

No government currency can possibly be made, in the very nature of things combining all these requisites of elasticity, commercial stability and guarantees of public welfare.

While paper currency instruments, as we have shown, perform so large a share of the vital work in the commercial world, money itself has in no respect lost its practical importance. On the contrary, to maintain commercial order and integrity, it can neither be dispensed with nor degraded from its supreme rank and importance, by any local devices or substitutes, without infinite peril. Its universality, utility and uniform character must not only be persistently maintained by every commercial people, but enough of it must be always held at command, to meet and justify the claim for value of commodities passing through their commercial exchanges.

Actual money always indispensable.

Money must be ever ready to present itself as the only alternative, whenever its equivalent in property is challenged. It stands forth the ultimate arbiter of all commercial questions and values. Enough of it must be available and in close alliance with current business, to meet balances between peoples, places and nations: to prove the validity of their trade; enough to meet unexpected events and vicissitudes in public and private affairs, or any exigency impairing commercial confidence; enough in a word to assure the public that it is enough. Deprived of these high qualities and

practical uses, money loses its supremacy as a measure of value, and sinks into merchandise, subject to all its fluctuations and reverses.

But what is true money, and what are its constituent elements?

In the history of financial affairs of civilized nations, no such fundamental question could have been ever before seriously asked. But it has now a very deep significance.

For thousands of years the two precious metals have together and interchangeably performed this high service, without serious discord, and until quite recently, their commercial union has been regarded as so firmly and indissolubly fixed, that no human power could ever put them assunder.

The conflict between silver and gold as money.

It is but twenty years since Germany, in re-organizing her current coins, so as to give emphatic expression to the existence of a new nationality, determined to place herself upon full equality with England, who was supposed to derive some commercial benefit by alone adhering to a gold standard. This great change Germany was enabled to effect by means of the heavy war indemnity of five thousand millions francs, just exacted from France; and in thereby assuming a monetary superiority among nations, she, at the same time dealt a final and severe blow upon her conquered foe by suddenly throwing upon the open market a large sum of silver bullion derived from melting the discarded coins of the German provinces, which under existing agreements France and other nations were at the moment in self-defense, compelled to purchase. This simultaneous absorption of gold and heavy sale of silver by a great and victorious nation, overwhelmed other European powers, and constrained them one after another to close their mints to silver coinage, pending a further threatened inundation.

Silver therefore no longer commands the same unquestioned right as before to be money in inter-national payments, and, excepting for subsidiary coins and as a local medium, it is already reduced in the Western nations to the condition of a commercial commodity.

It is inconceivable that a monetary revolution of such magnitude, against an established custom of hoary antiquity and

The Silve question in the nited States.

vital interest, could be thus suddenly initiated, and become the fixed policy of leading nations, without first receiving their most deliberate determination, after mutual counsel.

As this great circle of influence gradually enlarges, and the nations involved become more numerous and powerful, the demand for such a convocation is yet more and more imperative. The immeasurable importance of the money question, to men of all nations having commercial relations with each other, makes this demand seem irresistible.

The United States Government found itself confronted with this strange condition, just when the country was struggling to resume coin payments upon a largely expanded paper currency. The practical question presented to it was this. What kind of coins should thereafter compose the standard money, and how could payments be maintained both in gold and in silver indiscriminately, with so wide a difference between them in commercial value?

This great conundrum still remains unsolved.

Fortunately the many thousands of efficient men dismissed from service at the end of the war, dispersed themselves over a vast area of new country, and, bending their disciplined energies to productive industry, supplied means enough to replenish the exhausted Treasury with gold, and to meet current demands upon that basis.

The difference in value between the two metals was therefore not practically felt until last year, when an adverse commercial balance, together with the cost of silver by that time purchased, drew exhaustively upon our gold reserves, and brought us perilously near the margin of danger.

It was perfectly natural that our country, the largest producer of silver, should contend with all its might against the abandonment anywhere, and especially at home, of coined money, composed of our own ancient and familiar metal. And because Congress had given vitality and money power during the war even to irredeemable paper, it was plausibly urged that it had unquestionable right to maintain the coined "dollar of the fathers" at its full original worth against all the powers of the world.

Any other view would impeach both their wisdom and our patriotism.

But the diminished use of silver throughout Europe had so reduced its value below the ancient standard, that these patriotic dollars were no longer serviceable as a money reserve for inter-national payments, and they became even less important than a mere commodity, because the difference between their legal and their actual value prevented their being readily converted into other merchandise, that would pay foreign debts through commercial interchange.

We are therefore no more masters of the situation in respect to the mineral composing money than to any other of the products of the country. The outside demand will determine the real value of them all, and to establish a local price of any thing by law, can only create a vexatious impediment to its easy and equitable commercial solution.

The only rational treatment of this one commodity is to let it naturally pass into the channels of commerce and take its chances with other productions of industry, there to exert its own influence with the powers of the world who must unite with us in deciding whether it shall hereafter be an ingredient of commercial money or not.

The conflict between the advocates of white and colored metal seems now an "*irrepressible*" one. The only obvious and practicable solution is the re-union in money of those ancient but temporarily dissevered elements. Stranger events than this have before occurred in history.

The mutual interest and dependence of all parts of the earth demands a common measure of value.

With an ocean border stretching along both the Eastern and Western coasts for thousands of miles, and enclosing an area that produces everything essential to human life, all dependent upon exchange in the markets of the world, this great country cannot be circumscribed by the narrow limits of a restricted and local measure of value, but in legislation and in trade it must proceed in widening sympathy and co-operation with the most advanced commercial nations.

To show how mutually dependent the remotest portions of the earth are upon each other in financial transactions, I need but call your attention to a simple occurrence of the past year. An eminent banking-house in London, whose name has

long been a synonym of strength and ability throughout the world, had extended its enterprise in aid of a growing Republic at the southern end of the American Continent, and found itself thereby inextricably entangled. Its general business was so involved with other banking houses in England that the suspension of this one would endanger many more, and impair commercial confidence throughout Europe. After an investigation of the situation at the Bank of England, it was considered wise to give extraordinary assistance to this house, provided others likely to be affected, would participate within specified amounts in a guarantee of the proposed undertaking. This they did. But the ramifications were yet so extensive, and the object so mutually important, that the Bank of France also lent the occasion its powerful assistance. But this was not all. In order to meet this heavy demand it became necessary to draw through New York some seventy-five millions in gold, the only form of commercial money admissible, thereby reducing the available commercial reserves of this country to an extent as unexpected as it was perilous. To meet this exigency and prevent disaster here also, the Banks in New York were compelled to unite together for mutual support and for the support of their dealers, and thus the people and institutions of two continents, found themselves involuntarily enlisted in the enterprises of a single house, and of a remote nation, taxing their combined energies, and compelling a sudden movement of their respective money reserves to an extent that tested their sufficiency, as well as their quality. It is very significant and admonitory, that four hundred and fifty millions silver accumulated in our Government Treasury and in other cash reserves, counted for nothing, and even for less than nothing in this demand, because it was not available as full inter-national money, and because it had absorbed so much active capital, otherwise exchangeable for its equivalent value in gold or in other exportable commercial assets.

If we could gather up all the threads connected with this single case, it would be found that the number of persons interested in it at home and abroad, including those inhabiting the long stretches of both continents, was almost countless.

Many of them, quite unconscious of any relation to the original cause of their trouble, but who suffered because those directly involved and those who gave relief, were alike compelled to call in their resources, from every direction.

This incident so recent and so eventful, not only illustrates the unity and identity of interest among commercial men all over the world, but it also shows that the inseparable relations of people with each other in broader and in narrower localities are the same in kind, however limited in degree, and that practical economy and equal justice requires them all to use the same measure of value.

Since Silver Coinage was placed upon trial for life in Europe, the amount buried in the United States Government Treasury has swelled by the silent operation of law to about four hundred millions, besides more than one hundred millions held in personal and corporate reserves. This great and growing aggregate, now nearly *five hundred million dollars*, stands before the world, a menace of vast proportions, depressing the price and retarding the metallic re-union so much desired. *What is to be done with it?*

Dangerous increase of Silver as money in the United States.

The Certificates and Notes representing it are not naturally redeemed like bills of exchange, by conversion of the constituent property, through the exchanges of commerce. IT lies as dead and as useless, as when in undiscovered mines, while *they* continually go the rounds as local currency, never themselves paid, but ceaselessly moving in current payments through the community, and increasing faster in volume than in intrinsic value. They raise the prices of property above the commercial standard, encourage expenditures, and create an adverse balance of inter-national trade, which can be paid only in gold. This is the natural and undeviating law of such issues. Shall *this go on forever*, and *what is the inevitable result?*

This strange and exceptional system is not a financial expedient forced upon the country by poverty and necessity. It is a policy voluntarily and deliberately chosen. Four and a half millions a month of fresh and active capital are thus

continually abstracted from useful service and converted into a torpid and uncertain investment, whose outcome no intelligent man can confidently predict.

Indeed so much doubt and apprehension hang around the subject that neither of the great political parties now dares to assume the responsibility as its own. The Silver question is therefore no more one of party politics, but of political economy and statesmanship; and as such can be more dispassionately considered.

Fortunately the present bountiful harvest has opened to us for the moment a way of escape from what seemed otherwise a most serious National embarrassment. This however does not remove, but only prolongs the issue.

The Silver question can only be settled by international agreement.

The gold reserves so rapidly drawn from this country in the earlier part of the year, are in great measure returning, and both in our own and the European States, such changes in relative financial conditions are likely to occur, that it is believed they may all be persuaded to reconsider the situation in the light of recent experience, and in view of the widening commercial intercourse that modern improvements are continually promoting in every part of the world.

By its large and incessant purchases of Silver bullion for two or three years past, our government has lifted the heavy burden from European nations, inevitable in so great a change of monetary policy. Thus temporarily relieved, they have since been comparatively indifferent to the economic results. But the derangement at length manifest here also, now in its turn demands relief. This, if naturally sought by a re-sale of the purchased metal, would throw upon the market an amount of Silver, only convertible at large depreciation. The active capital expended for this purchase must be restored, either by such a sale or by conversion of the bullion into international money. *Which will it be?*

In every aspect of the the subject difficulties arise that vitally concern the whole commercial world, and imperatively call for early and deliberate consideration.

Silver, as money, will not quietly retire. It persistently claims the right to be continued in useful service by the side of its old companion, and will claim it everywhere.

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